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# THE CASE

*for the*

# Western Wheat Producer



*A Statement Published by*

UNITED GRAIN GROWERS LIMITED







*"The Case for the Western Wheat Producer" is a statement published by United Grain Growers Limited, the oldest co-operative grain handling organization in Western Canada. This statement appeared in newspapers and magazines across Canada during July 1951. The Company published it in the interest of Western grain growers to answer unwarranted criticisms directed against them when final settlement was made on wheat sales which had been pooled for a five-year period, and the Government of Canada provided some supplement thereto.*

*United Grain Growers Limited also considered it a matter of national duty to bring about a better understanding of the facts concerning wheat prices, the extent to which producers had contributed through low prices to keeping down living costs in Canada and the cost of providing cheap food to Britain.*

*The statement is reproduced as originally published. Some additional information about prices appears in the final pages of this pamphlet.*

*The heading and introductory paragraphs of "The Case for the Western Wheat Producer" appear on the opposite page and the statement as originally published is continued on pages 6 to 9.*

*Supplementary information as to prices during war and post-war years is given on pages 10 to 14.*



# **The Case for the WESTERN WHEAT PRODUCER**

*United Grain Growers Limited is publishing this statement in newspapers across Canada in the interests of western wheat producers.*

The western grain producer has been the target for unfair criticism.

Serious misunderstanding prevails in many places in Canada with respect to the recent sixty-five million dollar payment on wheat. Such misunderstanding is dangerous to our country's welfare. Wheat formed the basis for much of Canada's development. It is still a vital part of our national economy.

In justice to the western grain grower, and as a national service, the following facts are presented to support his claim that to a much greater extent than other interests he, the producer, contributed both toward keeping down the cost of living in Canada and providing cheap food for Britain. A much larger payment than was made would have been necessary to offset that undue contribution.

## **I**

### ***The Price of Flour Fixed on Basis of Depression Prices of Wheat***

Following the outbreak of war in 1939, prices of other commodities rose so sharply that by 1941 price controls became necessary. Wheat prices had made no such advance but remained at depression levels. The Wartime Prices and Trade Board in October, 1941, fixed the price of flour on the basis of wheat still at a depression price of  $77\frac{3}{8}$  cents, and maintained that fixed price for seven years.

Due to large supplies and early war dislocation of export markets wheat remained at depression levels until 1943. Until that time the producer made possible cheap flour to consumers by supplying wheat at distress market levels out of all relation to prices of other commodities.



After wheat did advance in price in 1943, the Government made up any difference over  $77\frac{3}{8}$  cents by subsidies to millers. Consumers continued to enjoy cheap bread. Subsidies so paid by the Government amounted to nearly one hundred million dollars. *No one has suggested that those subsidies constituted a handout to consumers.*

## II

### *When Wheat Prices Started to Advance the Government Closed the Market*

For ten long years producers had suffered from very depressed wheat prices. They expected compensation when prices should advance.

In 1943, due to wartime demands, the price of wheat started to rise and advanced rapidly. That advance threatened to impose large costs upon the Treasury, both for flour subsidies and for wheat, which the Government had undertaken to supply to Great Britain and allied countries under Mutual Aid.

When the price approached \$1.25 per bushel in September of that year the Government closed the market, made it compulsory to market all wheat through the Wheat Board and on September 27th, expropriated all wheat in commercial position—about 300 million bushels—at approximately \$1.25 per bushel. Much of this wheat was still owned by producers.

*That expropriation insured the Government a large supply of wheat for Mutual Aid at low costs in relation to advancing world prices. Savings thus made accrued to taxpayers.*

## III

### *Domestic Price Fixed at \$1.25 per Bushel*

With the closing of the market the Government fixed the price of wheat for domestic sale at \$1.25 per bushel, and continued it on that basis for nearly four years.

*This insured the Treasury against further increased subsidies to maintain flour at a fixed price.*



The western producer did not complain of that price level, which no doubt was intended to be reasonably related to other fixed prices which had prevailed for two years. But he now points out that if it *was* so, the *difference* between that level and the much lower prices at which he had been selling wheat, during most of those two years, is the measure of his contribution toward cheap food in those years.

#### IV

### ***When Mutual Aid Ceased, Export Ceiling Placed on Wheat***

Mutual Aid ceased in 1945, after the Government had paid advanced prices for some wheat supplies. Then for one year an export ceiling of \$1.55 was placed on wheat. No other export commodity was made subject to export price ceilings. This ceiling on wheat meant large savings to the Government in financial assistance to Great Britain and allied countries. It was also regarded as an anti-inflationary measure. *Without it producers could have received more for export wheat.*

#### V

### ***Loss Under Canada - United Kingdom Wheat Contract Generally Conceded***

In 1946 Canada contracted to sell to Great Britain 600 million bushels of wheat over a period of four years. Notwithstanding higher prices then prevailing, a price of \$1.55 per bushel was set for 320 million bushels in the first two years. That proved very low on any reasonable basis of comparison with world prices.

From the beginning of the contract producers were encouraged to believe that a substantial adjusting payment would be made to bring the contract price to a more reasonable level having regard to prices generally prevailing elsewhere. On more than one occasion public statements by responsible persons confirmed this belief.

The Government of Canada realized the justice of the producers' claim and finally made a payment equivalent to



20 cents per bushel for the wheat sold during the first two years. That was no political handout. It was an act of good faith. *But it is generally conceded today that the amount paid fell far short of the loss sustained by Canadian farmers in supplying cheap wheat to Great Britain.*

## VI

### ***Domestic Price Lags Behind Prices Fixed by British Contract***

Although other price controls were relaxed in 1946, and although \$1.55 was the price then fixed as the minimum for two years to be paid by Great Britain for Canadian wheat, it was not until six months later, in February, 1947, that the domestic price was raised from \$1.25 to \$1.55 per bushel. For that period the price received on the domestic market was at least 30 cents per bushel too low *without taking into account that the level of \$1.55 was in itself too low, as is now recognized.*

Again the producers made a substantial contribution toward cheap food for Canadian consumers.

## VII

### ***Wheat Producers in the United States Were Differently Treated***

In Canada wheat producers have had to carry an undue burden of national price control policies and policies of mutual and financial aid abroad. There has been no such burden on producers in the United States. They were guaranteed a price for wheat based on parity and have usually been able to sell at a higher market price.

The United States as a whole has carried any burden in respect of wheat exported free or at reduced prices to meet international undertakings. For such wheat the U.S. Government has paid the full market price.



## VIII

### *Wheat Prices Still Controlled*

Long after other price controls have ended that on wheat still continues. On August 1st, 1948, control by the Wartime Prices and Trade Board of flour on the basis of  $77\frac{3}{8}$  cents per bushel for wheat came to an end. At that time the domestic price of wheat went to \$2.00 per bushel. But a subsidy of 45 cents per bushel continued until March, 1949, and insured flour to consumers on the basis of \$1.55 wheat. Flour has since been sold on the basis of continuously controlled wheat prices.

*Wheat, alone still under control, has had no inflationary price rise. Producers get less for it than in August, nineteen forty-eight.*

*This statement, not published in any spirit of criticism of Governmental policy, is designed to promote a better understanding of the part played by western grain producers in relation to price controls at home and sales abroad since the outbreak of the last war.*

*In spite of the recent sixty-five million dollar payment there has been a substantial net profit to taxpayers. There have been large savings to flour consumers. There has been a corresponding loss to wheat producers.*

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**This concludes "The Case for the Western Wheat Producer" as published by United Grain Growers Limited in various newspapers and magazines during July, 1951.**

**The following pages contain supplementary information relating to grain prices.**



## ***Wartime and Post-War Wheat Prices***

*(All prices basis No. 1 Nor. in store Lakehead Terminals. Wheat Board prices are quoted basis in store Lakehead or Vancouver Terminals)*

### **Open Market Period — Prior to September 27th, 1943**

<b>Crop Year</b>	<b>Average Cash Closing Prices Winnipeg Market</b>
1938-39 .....	.62
1939-40 .....	.76 $\frac{1}{2}$
1940-41 .....	.74
1941-42 .....	.76 $\frac{5}{8}$
1942-43 .....	.94 $\frac{3}{4}$

#### **By Months 1943**

January .....	.90 $\frac{3}{8}$
February .....	.90 $\frac{1}{2}$
March .....	.97 $\frac{1}{8}$
April .....	.99
May .....	1.01
June .....	1.03 $\frac{3}{8}$
July .....	1.12 $\frac{7}{8}$
August .....	1.11 $\frac{7}{8}$
September .....	1.17 $\frac{1}{2}$

A price of \$1.23 $\frac{1}{2}$  was reached on September 27, 1943, at which point the market was closed by the Government. From that time to the present no single price quotation applies to Canadian wheat. The price for domestic consumption has always been different to that applying to some exports. For a time most export wheat was provided by the Government of Canada to Britain and allied countries under Mutual Aid. Then for a year an export ceiling prevailed. The British wheat contract came into operation in 1946 and the International Wheat Agreement in 1949. The following table shows the prices for Class II wheat sold by the Canadian Wheat Board, that is for wheat exports not covered by Mutual Aid, by the contract with the United Kingdom or by the International Wheat Agreement.



## Wheat Board Class II Prices

*1944-45 (For Exports to Countries not receiving Mutual Aid)*

August, 1944 (Maximum)	-----	\$1.37
September, 1944	“ -----	1.38
October, 1944	“ -----	1.46
November, 1944	“ -----	1.47
December, 1944	“ -----	1.48
January, 1945	“ -----	1.48
February, 1945	“ -----	1.51
March, 1945	“ -----	1.53
April, 1945	“ -----	1.54
May, 1945 (Actual for all sales)	-----	1.55
June, 1945	“ “ -----	1.55
July, 1945	“ “ -----	1.55

*1945-46 (For all Exports)*

For this year an export ceiling of \$1.55 was imposed by the Government of Canada and all export sales were on that basis.

*1946-47 to 1950-51.*

For the period 1946-47 to 1948-49 the following Class II selling prices applied to all countries except the United Kingdom. Prices quoted for 1949-50 and 1950-51 applied to countries outside of the International Wheat Agreement.

Crop Year	High	Low	Average Selling Price
1945-46	\$1.55	\$1.55	\$1.55
1946-47	3.10	2.05	2.43
1947-48	3.45	2.37	2.88
1948-49	2.48	1.91	2.23
1949-50	2.41	2.04	2.16
1950-51	2.36¾	1.93	(Average not yet announced)



## Domestic Wheat Prices

This refers to the price received by the producer for wheat sold for Canadian consumption. It differed, during the time of flour subsidies, from the cost of wheat to the flour consumer. Both are shown in the table below.

	Domestic Price received by Wheat Producer	Cost of Wheat to the Canadian flour consumer
From September 1939, to October 1941	Open market prices as shown in table on page 10, and in the period September 1940 to July 1941, 15c per bushel higher. During that time the Government imposed a processing levy of 15c per bushel on wheat milled for Canadian consumption and the proceeds were paid to the Canadian Wheat Board.	
October 1941 to September 1943	Open market prices	.77 $\frac{3}{8}$
<i>(NOTE: The Wartime Prices and Trade Board in October 1941 established a ceiling on flour prices on the basis of wheat at 77<math>\frac{3}{8}</math> cents per bushel and this remained for seven years. Millers bought wheat at varying prices and were subsidized for any cost above the ceiling basis.)</i>		
September 1943 to March 1947	\$1.25	.77 $\frac{3}{8}$
March 1947 to July 1948	\$1.55	.77 $\frac{3}{8}$
<i>(This to correspond with price under the wheat contract with the United Kingdom which had become effective August 1, 1946.)</i>		
August 1, 1948 to February 1949	\$2.00	.77 $\frac{3}{8}$
February to July 31, 1949	\$2.00	\$1.55



	Domestic Price received by Wheat Producer	Cost of Wheat to the Canadian flour consumer
August 1, 1949 to July 31, 1950 -----	\$2.00	\$2.00

*(At August 1, 1948, the domestic price to producers was advanced to correspond with the wheat contract with the United Kingdom. The full corresponding advance in the cost to flour consumers was delayed for a year. In the meantime, for approximately six months, the price basis to consumers was \$1.55, the difference being made up by subsidies to millers.)*

August 1, 1950 to present	I.W.A. basis approximately \$1.90	I.W.A. basis approximately \$1.90
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*(At August 1, 1950, the basis for domestic sales was shifted from the contract with the United Kingdom, which had then expired, to the International Wheat Agreement. The maximum price thereunder, equivalent to \$1.80 in U.S. funds, varied slightly in Canada from time to time in accordance with exchange fluctuations.)*

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The period of over-all price controls in Canada was from October 1941 to August 1946, after which a gradual relaxation began.

If the domestic price of \$1.25 was reasonably related to other controlled prices, which has not been disputed, producers had to accept much less during the first two years of that period. The prices they received continued under control after other price controls ceased.

In considering the case for the Western Wheat Producer the most important price comparisons are from October, 1941, to September, 1943, and for the period subsequent to August 1, 1946.



## Wheat Board Initial Payments

1935-36	{ 87½c per bushel initial payment, no subsequent payment. This rate nominal only during 1936-37 and 1937-38. No deliveries were accepted during those years as market remained above 90c.
1936-37	
1937-38	
1938-39	{ 80c per bushel. No subsequent payment.
1939-40	{ 70c per bushel. No subsequent payment for 1939-40. Final payments in 1944 brought total for 1940-41 to 76.2c; for 1941-42 to 75.33c.
1940-41	
1941-42	
*1942-43	{ 90c per bushel. Final payment in 1944 brought total to \$1.025.
x1943-44	{ \$1.25 per bushel. Final payment brought total for 1943-44 to \$1.37; and for 1944-45 to \$1.4367.
1944-45	
1945-46	{ Sales for these five years were pooled through Canadian Wheat Board. Initial payment \$1.25 to July 31, 1946. Then adjusted to \$1.35. In April, 1948, adjusted to \$1.55 and in April, 1949, adjusted to \$1.75. Final payment in 1951 brought total for the five-year pool period to \$1.83½.
1946-47	
1947-48	
1948-49	
1949-50	
1950-51	{ \$1.40 August 1, 1950, to February 1951. Then adjusted to \$1.60.
1951-52	{ \$1.40 from August 1, 1951.

\*Increase for 1942-43 brought about as a result of representations by farm organizations as to acute distress among western farmers because of low wheat income. The fact that the wheat market had commenced to rise was an important factor in the change.

xThe market, which had risen rapidly during previous months, had reached \$1.23½ before it was closed by the Government. Since then all wheat deliveries have had to be made to the Canadian Wheat Board at prices shown.

Note: There was a loss on the Wheat Board handling of the 1935-36 crop of \$11,858,104, which was more than offset by a surplus of nearly \$25,000,000 on other Wheat Board operations. Losses were experienced of approximately \$61,500,000 in respect of the 1938-39 crop and approximately \$8,800,000 in respect of the 1939-40 crop. Since operations in respect of these crops continued until 1942 and 1943 respectively, due to lack of export opportunity in the early war years, the net deficit experienced by the Government is to a large extent to be considered as included in war costs.







